networks. Thus, ILECs will continue to provide MCI with the vast majority of switched access services.

7. Even in cases where an alternative provider has facilities, it is often infeasible for MCI to move existing traffic from the ILEC to the competitive provider. For example, in some cities MCI purchases a SONET service from BellSouth (Smartring). This service offers ubiquitous, redundant transmission services. No competitive provider can match this service since none are collocated in every central office. Additionally, it is often infeasible for MCI to move existing traffic from the ILEC to the competitive provider because of high termination liabilities, non-recurring charges, and administrative requirements imposed by the ILEC. The ILECs take advantage of MCI's need to purchase services at favorable prices, by structuring their price schedules such that only customers who agree to long-term, high-volume contracts receive favorable discounts. These contracts entail significant termination liabilities, which effectively lock customers in place and prevents competition for this market segment. For example, if MCI signed a 5-year contract with BellSouth for a 12 DS3 system, but chose to terminate the contract after two years (to move to a CLEC), the termination liability would be $35,640. (See BellSouth FCC #1, Section 7). In many cases, this, in itself, prevents carriers from moving circuits to CLECs.

8. In certain instances, ILEC actions and policies demonstrate the absence of exchange access competition. For example, BellSouth has refused to meet with MCI's carrier relations group to discuss its plans for the 1998 Annual Access Tariff Filing. Only a monopolist would refuse to meet with its second largest customer.

9. The FCC's changing rules on when carriers must pay the TIC have also negatively affected the development of exchange access competition in the Southern region. Under last May's First Report and Order on Access Charge Reform, interexchange carriers would no longer have been required to pay the TIC when using alternative transport providers. While MCI was preparing to order circuits from alternative providers, the Commission issued its Second Order on Reconsideration which greatly reduced the portion of the TIC which could be avoided. Consequently, MCI reduced its planned orders from alternative providers in the Southern region by more than half. The result is that the networks of alternative providers are less extensive and robust than they would have been, had the Commission not acted to protect ILEC revenues from competition.

10. Exchange access competition is by definition dependent on the emergence of alternative providers of exchange access. The most common type of alternative provider to date has been the CAPs, who currently provide very limited access competition to the ILECs as discussed above. Another potential competitor that is currently emerging is the Competitive Local Exchange Carrier (CLEC). The CLEC can compete for exchange access traffic through the provision of alternative facilities-based local exchange service. Unfortunately, it will take a significant amount of time and capital investment for the CLECs to be viable competitors and, thus, exert any competitive pressure on exchange access pricing.

11. Although MCI is currently providing facilities-based local service in 7 cities in the Southern region, such efforts to date have resulted in relatively limited competition in the local exchange market, in addition to the exchange access market.

12. While MCI is committed to providing local service, throughout the business and residential market where financially viable, MCI has been prevented from entering the local market on any widespread basis. There are three primary financial reasons for this result.

13. First, although the legal barriers to entry have been removed, economic barriers remain in the form of subsidized retail rates for residential service, recurring and non-recurring rates that are not set at forward-looking costs for unbundled elements (UNEs), and delays in establishing permanent rates at the state level. Permanent rates have only been established in 4 states in my region.

14. Second, even if rates are priced at forward-looking cost, which has not been the case for most UNEs where permanent rates have been established, and MCI operates as efficiently as possible, MCI will continue to face greater costs than the ILEC, in particular NRCs that are charged by the ILECs to migrate a customer. The ILEC does not face these charges not because it is more efficient, but because of its historical position as the monopolist it currently has all of the customers. Therefore, MCI must be even more efficient in order to successfully enter and remain in the local market.

15. Finally, despite the desires of MCI to enter the local market, it takes time to build and establish a robust local network. Even if capital is available, it takes, on average, 9 months to 1 year to build a local city network. Although multiple cities can be simultaneously under construction, lack of available financing and trained personnel prevent the overnight construction of a ubiquitous nationwide network.

16. All of these factors combined slow MCI's ability to enter the local market on a facilities basis and thereby provide the means necessary to provide a viable alternative to exchange access from the ILECs.

I declare, under penalty of perjury, that the foregoing is true and correct. Executed on April 30, 1998.

Marcel D Henry

Marcel D. Henry

DECLARATION OF THERESE FAUERBACH

I, Therese Fauerbach, declare as follows:

1. I am Vice President of Central Financial Operations within MCI Telecommunication's Financial Operations and Accounting organization. I manage MCI's relationship with Ameritech, GTE, and Independent Telephone Companies within Ameritech's region, which includes Michigan, Ohio, Illinois, Wisconsin, Indiana. I am responsible for the management of all Telco cost within the Central region, including both Access and Interconnection. One of my duties is to identify and utilize alternative access providers for as much of MCI's interexchange traffic as is feasible.

2. Previously, I was General Manager of MCI Wireless and Director of Sales for MCI. I joined MCI in 1983. Prior to my appointment to Vice President in 1996, I held a number of technical and managerial positions including Director of Marketing, Director of Sales-Global and Business, Director of Carrier Relations, Senior Manager of Carrier Relations and Customer Service as well as Supervisor in Finance. I have a BA degree from St. Norbert College and a MBA from Lake Forest School of Management.

3. The purpose of my declaration is to explain the difficulties faced by MCI in attempting to use competitive providers of exchange access services. I will describe the extent of exchange access competition in the Ameritech region. I will also provide evidence of Ameritech's continued attempts to maintain its monopoly over exchange access services. Finally, I will provide evidence to demonstrate some of the economic barriers CLECs face as they attempt to enter the local market.

4. Analysis of Ameritech, CAP, and CLEC exchange access bills for the fourth quarter of 1997 show that Ameritech continues to provide MCI with the vast majority of the exchange access services which MCI requires in the Central region, despite MCI's consistent efforts to identify and utilize alternative access providers. The data show that alternative providers accounted for less than 0.7% of MCI's total switched access costs in the Central region during those months. This includes all charges associated with entrance facilities, switched access transport, switching, and common line. The data further show that alternative providers accounted for less than 5% of the dedicated switched and special access transport circuits which MCI purchased in the Central region during the fourth quarter of 1997.

5. MCI's ability to migrate exchange access traffic to alternative providers is hampered by a number of factors: (1) the relatively small number of end user customers served by those providers; (2) the limited networks of those providers; and, (3) excessive ILEC termination liabilities.

6. The limited networks of the alternative providers constrain MCI's access choices in two ways: (1) they constrain the ability of those providers to gain end user customers; (2) they prevent MCI from migrating substantial amounts of its switched access transport traffic off of Ameritech's

network. Thus, Ameritech will continue to provide MCI with the vast majority of exchange access services.

7. Even in cases where an alternative provider has facilities, it is often infeasible for MCI to move existing traffic from Ameritech to the competitive provider because of high termination liabilities, non-recurring charges, and administrative requirements imposed by the Ameritech. Ameritech takes advantage of MCI's need to purchase services at favorable prices, by structuring their price schedules such that only customers who agree to long-term, high-volume contracts receive favorable discounts. These contracts entail significant termination liabilities, which effectively lock customers in place and prevents competition for this market segment. For example, if MCI signed a 5-year contract with Ameritech for a 12 DS3 system, but chose to terminate the contract after two years (to move to a CLEC), the termination liability would be $105,312 (See Ameritech FCC #2, Section 7). In many cases, this, in itself, prevents carriers from moving circuits to CLECs.

8. In many instances, Ameritech's actions and policies demonstrate the absence of exchange access competition. For example, FCC rules permit IXCs that purchase transport from alternative providers to avoid a portion of the TIC. Ameritech attempted to circumvent this rule by asserting that in all instances where it provided multiplexing, the IXC would not be eligible for the TIC discount. If the FCC had not intervened, ratepayers would have been overcharged by millions of dollars, and could have done nothing about it. This is the definition of monopoly power--the ability to raise prices without losing business.

9. The FCC's changing rules on when carriers must pay the TIC have also negatively affected the development of exchange access competition in the Central region. Under last May's First Report and Order on Access Charge Reform, interexchange carriers would no longer have been required to pay the TIC when using alternative transport providers. While MCI was preparing to order circuits from alternative providers, the Commission issued its Second Order on Reconsideration which greatly reduced the portion of the TIC which could be avoided. Consequently, MCI reduced its planned orders from alternative providers in the Central region by more than half. The result is that the networks of alternative providers are less extensive and robust than they would have been, had the Commission not acted to protect ILEC revenues from competition.

10. Exchange access competition is by definition dependent on the emergence of alternative providers of exchange access. The most common type of alternative provider to date has been the CAPs, who currently provide very limited access competition to the ILECs as discussed above. Another potential competitor that is currently emerging is the Competitive Local Exchange Carrier (CLEC). The CLEC can compete for exchange access traffic through the provision of alternative facilities-based local exchange service. Unfortunately, it will take a significant amount of time and capital investment for the CLECs to be viable competitors and, thus, exert any competitive pressure on exchange access pricing.

11. Although MCI is currently providing facilities-based local service in 4 cities in the Central region, such efforts to date have resulted in relatively limited competition in the local exchange

market, in addition to the exchange access market. While MCI is committed to providing local service, throughout the business and residential market where financially viable, MCI has been prevented from entering the local market on any widespread basis. There are three primary financial reasons for this result.

12. First, although the legal barriers to entry have been removed, economic barriers remain in the form of subsidized retail rates for residential service, recurring and non-recurring rates that are not set at forward-looking costs for unbundled elements (UNEs), and delays in establishing permanent rates at the state level. Permanent rates have only been established in 2 states in my region.

13. Second, even if rates are priced at forward-looking cost, which has not been the case for most UNEs where permanent rates have been established, and MCI operates as efficiently as possible, MCI will continue to face greater costs than the ILEC, in particular NRCs that are charged by the ILECs to migrate a customer. The ILEC does not face these charges not because it is more efficient, but because of its historical position as the monopolist it currently has all of the customers. Therefore, MCI must be even more efficient in order to successfully enter and remain in the local market.

14. Finally, despite the desires of MCI to enter the local market, it takes time to build and establish a robust local network. Even if capital is available, it takes, on average, 9 months to 1 year to build a local city network. Although multiple cities can be simultaneously under construction, lack of available financing and trained personnel prevent the overnight construction of a ubiquitous nationwide network. All of these factors combined slow MCI's ability to enter the local market on a facilities basis and thereby provide the means necessary to provide a viable alternative to exchange access from the ILECs.

I declare, under penalty of perjury, that the foregoing is true and correct. Executed on April 30, 1998.

Therese Fauerbach

Therese Fauerbach

DECLARATION OF MICHAEL BEACH

I, Michael Beach, declare as follows:

1. I am Vice President of Western Region Financial Operations within MCI Telecommunication's Financial Operations and Accounting organization. I manage MCI's relationship with the SBC companies and U S West, which includes California, Nevada, Oregon, Washington, Idaho, Montana, Wyoming, Utah, Colorado, Arizona, New Mexico, North Dakota, South Dakota, Nebraska, Minnesota, Hawaii, Alaska, Iowa, Texas, Oklahoma, Kansas, Missouri, and Arkansas. I am responsible for the management of all Telco cost within the region, including both Access and Interconnection. One of my the duties of my organization is to identify and utilize alternative access providers for as much of MCI's interexchange traffic as is feasible.

2. I have been employed by MCI since September, 1974 and have held a number of management positions in Operations, Regulatory, and Carrier Management organizations. I hold a BS degree in Business Administration from the University of Phoenix.

3. The purpose of my declaration is to provide information concerning the state of exchange and exchange access competition in the Western region. I will provide information to illustrate the absence of exchange access competition. I will also offer examples of ILEC practices that show that the incumbents do not behave like companies facing substantial competition. Finally, I will provide evidence to demonstrate some of the economic barriers CLECs face as they attempt to enter the local market.

4. Analysis of ILEC, CAP, and CLEC exchange access bills for the fourth quarter of 1997 show that ILECs continue to provide MCI with the vast majority of the exchange access services which MCI requires in the Western region, despite MCI's consistent efforts to identify and utilize alternative access providers. The data show that alternative providers accounted for less than 0.25% of MCI's total switched access costs in the Western region during those months. This includes all charges associated with entrance facilities, switched access transport, switching, and common line. The data further show that alternative providers accounted for less than 8% of the dedicated switched and special access transport circuits which MCI purchased in the Western region during the fourth quarter of 1997.

5. Three factors severely constrain MCI's ability to migrate exchange access traffic to alternative providers: (1) the relatively small number of end user customers served by those providers; (2) the limited networks of those providers; and, (3) excessive ILEC termination liabilities.

6. The limited networks of the alternative providers constrain MCI's access choices in two ways: (1) they constrain the ability of those providers to gain end user customers; (2) they prevent MCI from migrating substantial amounts of its switched access transport traffic off the ILEC networks. Thus, ILECs will continue to provide MCI with the vast majority of exchange access services.

7. Even in cases where an alternative provider has facilities, it is often infeasible for MCI to move existing traffic from the ILEC to the competitive provider because of high termination liabilities, non-recurring charges, and administrative requirements imposed by the ILEC. The ILECs take advantage of MCI's need to purchase services at favorable prices, by structuring their price schedules such that only customers who agree to long-term, high-volume contracts receive favorable discounts. These contracts entail significant termination liabilities, which effectively lock customers in place and prevents competition for this market segment. For example, if MCI signed a 5-year contract with US West for 12 DS3s, but chose to terminate the contract after two years (to move to a CLEC), the termination liability would be $263,692. (See US West FCC #1, Section 7). In many cases, this, in itself, prevents carriers from moving circuits to CLECs.

8. The FCC's changing rules on when carriers must pay the TIC have also negatively affected the development of exchange access competition in the Western region. Under last May's First Report and Order on Access Charge Reform, interexchange carriers would no longer have been required to pay the TIC when using alternative transport providers. While MCI was preparing to order circuits from alternative providers, the Commission issued its Second Order on Reconsideration which greatly reduced the portion of TIC which could be avoided. Consequently, MCI reduced its planned orders from alternative providers in the Western region by more than half. The result is that the networks of alternative providers are less extensive and robust than they would have been, had the Commission not acted to protect ILEC revenues from competition.

9. Exchange access competition is by definition dependent on the emergence of alternative providers of exchange access. The most common type of alternative provider to date has been the CAPs, who currently provide very limited access competition to the ILECs as discussed above. Another potential competitor that is currently emerging is the Competitive Local Exchange Carrier (CLEC). The CLEC can compete for exchange access traffic through the provision of alternative facilities-based local exchange service. Unfortunately, it will take a significant amount of time and capital investment for the CLECs to be viable competitors and, thus, exert any competitive pressure on exchange access pricing. Although MCI is currently providing facilities-based local service in 11 cities in the Western region, such efforts to date have resulted in relatively limited competition in the local exchange market, in addition to the exchange access market. While MCI is committed to providing local service, throughout the business and residential market where financially viable, MCI has been prevented from entering the local market on any widespread basis. There are three primary financial reasons for this result. First, although the legal barriers to entry have been removed, economic barriers remain in the form of subsidized retail rates for residential service, recurring and non-recurring rates that are not set at forward-looking costs for unbundled elements (UNEs), and delays in establishing permanent rates at the state level. Permanent rates have only been established in 4 states in my region. Second, even if rates are priced at forward-looking cost, which has not been the case for most UNEs where permanent rates have been established, and MCI operates as efficiently, MCI will continue to face greater costs than the ILEC, in particular NRCs that are charged by the ILECs to migrate a customer. The ILEC does not face these charges not because of it is more efficient, but because of its historical position as the monopolist it currently has all of the customers. Therefore, MCI must be even more efficient in order to successfully enter and remain

in the local market. Finally, despite the desires of MCI to enter the local market, it takes time to build and establish a robust local network. Even if capital is available, it takes, on average, 9 months to 1 year to build a local city network. Although multiple cities can be simultaneously under construction, lack of available financing and trained personnel prevent the overnight construction of a ubiquitous nationwide network. All of these factors combined slow MCI's ability to enter the local market on a facilities basis and thereby provide the means necessary to provide a viable alternative to exchange access from the ILECs.

I declare, under penalty of perjury, that the foregoing is true and correct. Executed on April 30, 1998.

Michael Beach